LINE EXTENSION SUBCOMMITTEE REPORT

This subcommittee was formed to discuss extension of electric distribution lines pursuant to 170 IAC 4-1-27. The greatest area of concern with §27 is the manner in which the credit for new line extensions is calculated. Under §27, electric distribution facilities will be extended to a new customer without charge when the estimated total revenue for a period of 2 ½ years is at least equal to the estimated cost of the extension. A problem with §27 is the use of total revenue to calculate the extension credit. Total revenue includes recovery of costs other than distribution-related costs, including pass-through costs (e.g. fuel costs) that the utility is recovering on a dollar-for-dollar basis. Use of "total revenue" is no measure of whether the new customer is actually generating enough revenue for the utility to earn a fair (if any) return on its distribution investment.

The current 2 ½ times total revenue credit does not match the actual cost of connecting new customers. Potentially the result can be intergenerational inequity between current and future customers.

A reasonable step the IURC could take towards making the rule more fair would be to use 2 ½ times net revenue (gross revenue minus fuel costs) as the line extension credit amount. This would at least not require utilities to give credit for the pass through of fuel costs.